

Message Text

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TO SECSTATE WASHDC 3436
INFO AMEMBASSY THE HAGUE
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EO 11652: NA
TAGS: EMIN, NS
SUBJ: BILLITON ANNOUNCES REVIEW OF BAUXITE PRODUCTION PLANS

1. THE ROYAL DUTCH SHELL-OWNED BILLITON MAATSHAPPI SURINAME, WHICH PRODUCES 55 PERCENT OF SURINAM'S BAUXITE EXPORTS AND ABOUT 47 PERCENT OF ITS ALUMINA SHIPMENTS, ANNOUNCED LATE IN THE WEEK OF JUNE 6 THAT IT WAS REVIEWING ITS PRODUCTION PLANS FOLLOWING A MAY 28 EXPLOSION IN THE SMELTER OF ONE OF ITS ALUMINA CUSTOMERS, ALUMINUM DELFZIJL IN ADEL, THE NETHERLANDS. EXPLOSION REPORTEDLY SHUT DOWN THE SMELTER IN ADEL AND MEANS THE PROBABLE LOSS OF ALUMINIUM DELFZIJL'S 170,000 METRIC TON CONTRACT FOR ALUMINA FROM BILLITON THIS YEAR.

2. WITH ORIGINAL 1977 ESTIMATED MARKET REQUIREMENTS OF 2.4 MILLION TONS OF BAUXITE ALREADY REDUCED TO 2.2 MILLION TONS, BILLITON ANNOUNCED THAT THIS FIGURE WAS BEING FURTHER LOWERED TO 2 MILLION TONS, AND SAID THAT A REVIEW OF PRODUCTION PLANS IS THUS NECESSARY. BILLITON ANNOUNCEMENT ALSO EXPRESSED COMPANY'S REGRET THAT ITS CONTRIBUTION TO THE SURINAM ECONOMY, BECAUSE OF THE ACCOMPANYING REDUCTION IN THE BAUXITE LEVY WHICH IT WILL PAY TO THE GOS, WILL DECREASE.

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3. COMMENT: BILLITON ANNOUNCEMENT ADDS ONE MORE OBSTACLE IN THE WAY OF GOS DESIRES TO EXPAND BAUXITE PRODUCTION. IT IS A STARK EXAMPLE OF THE DEPENDENCY OF SURINAM'S ECONOMY ON THE REQUIREMENTS OF THE DEVELOPED WORLD FOR ALUMINUM, AND IF BILLITON DOES NOT LOCATE A NEW CUSTOMER TO REPLACE ALUMINUM DELFZIJL AND IN FACT

REDUCES PRODUCTION TO 2 MILLION TONS THIS YEAR, WILL BE ONE MORE REMINDER THAT SUCCESS OF SURINAM'S DEVELOPMENT OF BAUXITE RESERVES IN THE WESTERN REGION OF THE COUNTRY WILL ULTIMATELY DEPEND UPON THE AVAILABILITY OF MARKETS ABROAD. COUPLED WITH SHIPPING DIFFICULTIES DUE TO LACK OF HARBOR FACILITIES AND DETERIORATING CHANNEL CONDITIONS IN THE SURINAME RIVER, WHICH WERE IN LARGE MEASURE RESPONSIBLE FOR ALCOA'S SUBSIDIARY SURALCO (DURINAME ALUMINUM COMPANY) FALLING SHORT OF ITS REQUIRED MINIMUM PRODUCTION OF 2.6 MILLION TONS BY ABOUT 50,000 TONS LAST YEAR, REDUCED PRODUCTION BY BILLITON MAY STIMULATE THE GOS TO LOOK MORE CAREFULLY AT ANTICIPATED REVENUES FROM THE CRUCIAL BAUXITE SECTOR AND TO DIRECT ITS ATTENTION TO STEPS WHICH CAN REVITALIZE AND EXPLOIT TO MAXIMUM ADVANTAGE INVESTMENTS IN THIS SECTOR WHICH ARE ALREADY OPERATING.

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